

Issue Paper #14
CAFR Cash Flows
March 14, 2002

As part of the closing process, higher education institutions are required to submit an Exhibit J to the SCO on or around August 21, 2002. As explained in the Fiscal Procedures Manual, institutions are permitted to make adjustments and reclassifications to their financial information without the approval of the SCO until August 30, 2002. Subsequent to August 30, 2002, all adjustments and reclassifications must be approved by the SCO prior to being posted on the institutions' financial statements.

With the implementation of GASB #34/35, the State and the institutions now have to prepare a cash flow statement. Included as part of the cash flow statement is reconciliation between operating income on the SRECNA and the cash flows from operating activities on the Cash Flow statement.

For the State's purposes, operating income for higher education institutions will be determined using information on COFRS and the cash flow statement will be prepared from exhibits submitted by each governing board. For the institutions' purposes, the cash flow statement will need to reconcile to the stand alone financial statements.

At this time, the GIT and the SCO have been working to develop an exhibit that the institutions would complete to provide the SCO with the information needed for the cash flow statement. Because it is possible that the institutions will make changes that impact operating income, the SCO now believes that it is not practicable to maintain alignment between the COFRS based CAFR operating income and an agency prepared exhibit. Such a cash flow statement exhibit would either have to agree to the COFRS balances, and potentially not reflect institution's post-closing adjustments, or agree to the agencies operating income.

After discussing several possible solutions, the SCO believes it will be better if the cash flow statement for our CAFR is prepared using information from COFRS with specified supplemental information provided on an exhibit by the institutions. This supplemental information includes the following pairs of information: purchases and sales of fixed assets, purchases and sales of investments, new capital leases entered into and capital lease principal payments, new debt issued and debt principal payments or retirements, receipts and disbursements of deposits held in custody. It is imperative that the information related to these pairs equals the net change in the related balance sheet accounts. In any case, Higher Education will be required to provide information about non-cash transactions that affect certain assets.

ISSUE RESOLUTION PER GIT, MARCH 14, 2002:

The above approach was accepted with the understanding that the Governing Boards and/or institutions may be called upon to explain any differences between their Statement of Cash Flows and the CAFR Statement of Cash Flows.